

Washington State Ferries Fuel Prices

Presentation to the Transportation Commission

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Presentation Overview

- **O5-07 Fuel Budget**
- **Current Fuel Price Situation**
 - What if current fuel prices continue?
 - June fuel forecasts
 - What if fuel goes up or down?
- **What are opportunities to conserve fuel?**
- **Other options**
 - Supplemental budget in 2007 session
 - Fuel surcharge

05 - 07 Fuel Budget

2005 Legislature appropriated \$57.9 million for WSF fuel

- Based on March 2005 forecast of \$1.47 per gallon
- Based on estimated consumption of 39.4 million gallons

2006 Legislature appropriated \$75.3 million for WSF fuel

- Based on February 2006 forecast of \$2.06 per gallon
- Based on estimated consumption of 35.4 million gallons
- Eliminated 10% fuel consumption contingency

Current Fuel Prices and Forecasts

- **May 2006 prices averaged \$2.71 / gallon.**
 - If fuel prices keep at current levels, WSF will be short by 10.1 million by the end of the biennium in June 2007.
- **June 2006 Fuel Forecast**
 - Assumes a drop in price
 - Average price of fuel for fiscal year 2007 = \$2.45 / gallon
 - Estimated shortfall \$5.2 million for 05-07 biennium.
 - Forecast not officially adopted
- **Sensitivity**
 - A 10 cent change in fuel prices = \$1.9 million for the remainder of the current biennium.

Options for Conserving Fuel

WSF Interdepartmental Study is Looking at:

- **Changing operating procedures**
 - Slower acceleration/deceleration
 - Reduce propulsion power while in dock and during layup
 - Adjust transit speeds and improve loading / unloading times
 - Operate on 2 engines when/where possible
- **Longer term technological changes**
 - “Locking” boats into the dock while loading/offloading
 - Modify current boiler systems to use engine heat recovery

A Fuel Surcharge?

- If a fuel surcharge were to be instituted in October of 2006, it would generate the following amounts of revenue through June 2007:
 - \$3 million with a 5% surcharge
 - \$5 million with a 10% surcharge
 - \$8 million with a 15% surcharge
 - \$10 million with a 20% surcharge
 - \$13 million with a 25% surcharge
- It would take a 20% fuel surcharge to cover the shortfall if fuel prices stay at their current level.

Timing Considerations

- The following deadlines would need to be met if a decision is made to implement a fuel surcharge by the end of October:
 - Commission would need to act by June 21 to initiate sequence of Code Reviser filings (CR 101)
 - Tariff Policy Committee would need to meet in late June/early July to consider recommendations to the Commission
 - At the July Commission meeting, presentation on actual proposal (if any would be given; Commission would authorize the filing of the proposal with the Code Reviser (CR 102 form filed between August 4 and August 23)
 - Public outreach in early August
 - Commission hearing on proposal no earlier than September 26
 - Implementation of higher fares no earlier than October 27

Fuel Surcharge

- Additional Considerations:
 - During the previous two tariff cycles, legislators on the Tariff Policy Committee suggested that fuel prices were a statewide issue and should be addressed by the legislature and not through additional fare surcharges
 - The legislature has covered the additional cost of fuel in the previous two legislative sessions
 - Initial conversations with legislators on the Tariff Policy Committee indicate a desire to again let the legislature address the issue and not cover it with a fuel surcharge

What Are Other Operators Doing?

- B.C. Ferries:
 - July 2005 – fuel surcharge of 3% on major routes, 6% on minor routes
 - November 2005 – general fare increase of 2.8% on major routes, 4.4% on minor routes
 - February 2006 – fuel surcharge of 1.5% on major routes, 3% on minor routes
 - June 2006 – action pending on another fuel surcharge

Possible Next Steps

- No action from Commission

OR

- Act by June 21 to direct staff to file the CR 101 form. This would allow further discussion of this issue while preserving the option to implement a fuel surcharge by the end of October.